

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2001-363-E - ORDER NO. 2001-944
SEPTEMBER 20, 2001

IN RE: Petition of Duke Power, A Division of Duke) ORDER APPROVING
Energy Corporation, for Approval of the) PROPERTY TRANSFER
Transfer of Property in North Carolina.)

This matter comes before the Public Service Commission of South Carolina (the "Commission") on the Petition of Duke Power, a Division of Duke Energy Corporation ("Duke" or the "Company"), for approval of the transfer of three parcels of real estate (hereafter referred to as "Property") located in the Duke service area in North Carolina. Duke's request is made pursuant to S.C. Code Ann. Section 58-27-1300 (Supp. 2000).

By its Petition, Duke states that the Property in question is not required for current utility operations. Duke has entered into an Agreement of Purchase and Sale with Blanchard and Calhoun Commercial Corporation wherein Blanchard and Calhoun Commercial Corporation will purchase the Property for a price of \$1,050,000. The Property consists of three lots totaling approximately 12.67 acres.¹

In support of the fair market value of the property, Duke provided an appraisal letter dated January 12, 2001, by Michael D. Avent and Associates, an independent appraisal company located in Winston Salem, North Carolina. According to the appraisal

¹ The Property consists of tax lots 6, 8, and 11 of block 4433 of the River Ridge Station Development in Lewisville Township, Forsyth County, North Carolina. Lot 6 contains approximately 1.61 acres; Lot 8 contains approximately 2.62 acres; and Lott 11 contains approximately 8.44 acres.

of Michael D. Avant & Associates, Inc., the values for the three lots indicated by the Land Value By Comparison Approach are \$351,000 for Lot 6, \$399,000 for Lot 8, and \$919,000 for Lot 11. The appraised values of the three lots total \$1,669,000. Duke states in its Petition that the contract sale price is less than the appraised fair market value of the property as the sales price reflects discounts for site improvements to be made by the buyer.

Duke also advises the Commission that the original cost of the Property being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, Electric Plant in Service. The difference between the sale price and the original cost of the parcels will be applied to Account 421.10, Gain on Disposition of Property or Account 421.20, Loss on Disposition of Property.

Duke also advised the Commission Staff that the Property had been listed with a commercial realtor for a period of four years. Further, Duke advised the Staff that the offer from Blanchard and Calhoun Commercial Corporation was the best offer received for the Property.

Upon examination of the proposed transaction, the Commission makes the following findings:

1. S.C. Code Ann. Section 58-27-1300 (Supp. 2000) entitled "Disposition of properties, powers, franchises or privileges ..." governs the proposed transaction. Section 58-27-1300 requires an electrical utility to obtain approval from the Commission prior to selling utility property, except that utility property with a fair market value of one million dollars or less may be disposed of without prior approval of the Commission.

2. S.C. Code Ann Section 58-27-1300 (Supp. 2000) does not require a hearing on a Petition filed pursuant to Section 58-27-1300 but makes a hearing discretionary.

3. The purchase price of the Property is lower than the fair market value of the Property. The exhibits to the Petition indicate that the fair market value of the Property is \$1,669,000. The difference in the fair market value of the Property and the sale price of \$1,050,000 is attributable to discounts allowed for site improvements to be made by the buyer.

4. The Commission finds that the sale of the Property to Blanchard and Calhoun Commercial Corporation is a bona fide sale. The Property was listed for several years with a commercial realtor, and the Property was sold for the best offer received.

5. The Commission finds that the accounting treatment proposed by the Company is appropriate. The proposed accounting treatment is that the original cost of the parcels being sold will be credited as a reduction of the amount carried upon the books of the Company under Account 101, Electric Plant in Service. The difference between the sale price and the original cost of the parcels will be applied to Account 421.10, Gain on Disposition of Property or Account 421.20, Loss on Disposition of Property.

6. The Commission finds that a hearing in this matter is not necessary. S.C. Code Ann. Section 58-27-1300 (Supp. 2000) provides that a hearing may be held at the Commission's discretion. The Commission finds that no hearing is necessary.

Based upon the above findings of fact, the Commission concludes that Duke has complied with the requirements of S.C. Code Ann. Section 58-27-1300 (Supp. 2000) and

that the requested transfer of the Property should be approved. Accordingly, the Commission approves the requested transfer. Further, while the Commission approves the accounting treatment of the Property being sold, the Commission reserves any ratemaking treatment until such time as an appropriate rate proceeding is undertaken.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)